

CHAPTER 6

CASH

1. INTRODUCTION.

- a. **Purpose.** This chapter provides Departmental procedures and policy for handling cash and transactions in which cash is involved. It supplements the Treasury Financial Manual (I TFM 4-6).
- b. **Applicability.** This chapter applies in its entirety to all Departmental elements and integrated contractors. Nonintegrated contractors shall follow the applicable standards and procedures of this chapter if provided in their contracts. Specific integrated contractor requirements are as follows unless more detailed guidance is provided by the responsible contracting officer:
 - (1) The contractor's system of internal controls will be adequate to ensure proper control of cash from its receipt to final disposition.
 - (2) When payment terms are not defined by the procurement document, a 30-day payment period will be assumed.
 - (3) Disbursements and collections will be by electronic funds transfer (EFT) to the maximum extent feasible.
 - (4) Department of the Treasury (Treasury) checks will be deposited in a Federal Reserve Bank.
 - (5) All other collections will be deposited in the special financial institution account to the extent authorized in the contract, unless otherwise directed by the contracting officer.
 - (6) All DOE funds held in commercial financial institutions will be collateralized for any amount held in excess of coverage by the Federal Deposit Insurance Corporation or other organization approved by Treasury.
 - (7) Unannounced verifications of imprest funds will be performed quarterly, and periodic reviews will be made to ensure they do not exceed actual needs.
 - (8) Payments cleared funding activities will be managed in accordance with paragraph 7.
- c. **Requirements.** Procedures for accounting for cash from its receipt to final disposition must include safeguards necessary to ensure proper control as outlined in DOE O 413.1, Management Control Program.
 - (1) Personnel handling cash, or involved in making accounting transactions affecting cash, are responsible for receiving, safeguarding, recording, depositing, and disbursing cash on a timely basis and for keeping the required records and accounts.

- (2) Collections and all other funds held within the finance organization (for example, negotiable instruments, travelers checks, airline tickets, third-party drafts, and other cash instruments), whether pending regular deposit or deposit in imprest funds, shall be handled as cash and kept under complete control and proper physical safeguards. At a minimum, they shall be kept in a fire-resistant combination safe or safe-cabinet.
 - (3) A proper segregation of duties will be maintained to minimize the risk of loss from theft, fraud, and error.
 - (4) Pursuant to the Debt Collection Improvement Act of 1996 (Public Law 104-134) and regulations promulgated by the Department of the Treasury, electronic funds transfer (EFT) should be used to the maximum extent possible in making Departmental payments after January 1, 1999. All contracts, purchase orders, grants, travel orders, salary payments, etc., should be made by EFT unless specifically exempted in Treasury's final regulations implementing the Act's EFT payment provisions. Under no circumstances, however, should any payment be withheld or delayed due to the inability to process the transaction electronically. The regular or electronic data interchange version of the Online Payment and Collection System should be used for all intragovernmental payments and collections. Wire transfer payments should be restricted to emergencies or unusual situations. All procurement and financial assistance documents should provide for payment by EFT. See I TFM 6-4000 for more information on electronic payment and collection requirements.
 - (5) Electronic collection methods will be used whenever possible. Sales agreements should provide for collection by EFT.
 - (6) Each Field Chief Financial Officer (CFO) will maintain written internal procedures for cash management and will monitor the office's cash management practices.
2. **COLLECTIONS AND DEPOSITS.** See I TFM 5, I TFM 6-8025, and I TFM 6-8030. Remittance Express, an electronic lockbox service of the Federal Reserve Bank of Richmond, should be used for most collections. Deposits of non-electronic receipts will be made daily when receipts total \$5,000 or more. Receipts of smaller amounts will be deposited at least weekly on Thursday. Treasury checks will be deposited in the nearest Federal Reserve Bank.
3. **DISBURSEMENTS.** See I TFM 4 and I TFM 6-8040.10. The principal objectives of controls over disbursements are to ensure that all disbursements are legal, proper, correct, and timely and that they are recorded accurately and reported promptly.
- a. **Introduction.** Field CFOs and other officials concerned with the examination and payment of invoices shall establish adequate procedures to safeguard against illegal or erroneous certifications and payments, and shall implement any necessary measures to effect recovery of amounts illegally or erroneously paid. Refer to I TFM 4-2040 for information on procedures for appointing certifying officers and Title 31, Section 3528, of the United States Code (31 U.S.C. 3528), as amended, for the legal responsibilities of a certifying officer.

- b. Delegation of Authority.** In accordance with I TFM 4-1135, the Secretary of Energy has been delegated the authority to designate certifying officers, electronic certification security administrators, and communication encryption officers and to appoint cashiers. Within the Department, this authority has been further delegated to the Director, Office of Financial Policy, and the Team Leader, Management Accounting and Cash Management. Each Field CFO requesting delegation of designation authority must complete FMS Form 2958, Delegation of Authority, identifying the specific authorities for which delegation of designation authority is requested and submit the completed form to the Office of Financial Policy for approval. Either the Director, Office of Financial Policy, or the Team Leader, Management Accounting and Cash Management, will approve the request, sign the form as the delegator, and forward it to Treasury. Upon receipt of a copy of the executed form from Treasury, Field CFOs will then designate certifying officers as directed in I TFM 4-1100 and cashiers as directed in I TFM 4-3000. Field CFOs are responsible for monitoring all delegations of authority to ensure they are current and for initiating required changes on a timely basis.
- c. Definitions.**
- (1) Invoices.** Invoices are documents requesting payment for work performed, property or services delivered, or costs incurred. The terms “invoice,” “voucher,” and “bill” are used interchangeably in this chapter.
 - (2) Invoice Payments.** “Invoice payment” means a Departmental disbursement of moneys to a contractor under a contract or other authorization for property or services accepted by the Department. This includes payments for partial deliveries that have been accepted by the Government and final cost or fee payment where amounts owed have been settled between the Department and the contractor. Invoice payments also include all payments made under title 48, section 52.232-5 (“Payments Under Fixed-Price Construction Contracts”), of the Code of Federal Regulations (48 CFR 52.232-5) and 48 CFR 52.232-10 (“Payments Under Fixed-Price Architect-Engineer Contracts”). Invoice payments do not include contract financing payments.
 - (3) Day.** For purpose of paragraph 6, the term “day” refers to a calendar day unless otherwise specified.
- d. Prompt Payment Requirements.** Refer to Office of Management and Budget (OMB) Circular A-125, Prompt Payment, and I TFM 6-8000 and 4-2000. However, prime contractors under construction contracts must extend prompt payment provisions to their subcontractors. See paragraphs 16b and 17 for prompt payment reporting and quality control program requirements. The following requirements apply to the examination and payment of invoices by DOE:
- (1)** Vouchers must be examined and approved for payment before they are certified for payment. Approved statistical sampling procedures may be substituted for the examination of each individual voucher (see paragraphs 17b and 17c).
 - (2)** Designated officials shall promptly inspect property or services to ensure that prompt payment schedules are met.

- (3) Progress payments shall be made on the contract-specified due dates. If none is specified, make payments as close as possible to, but not later than, the 30th day (14th day for fixed-price construction contracts) after receipt of the contractor's request for payment by the contract designated billing office.
 - (4) Priority shall be given to payments to minority and small businesses only to the extent that it ensures timely processing of invoices on or before payment due dates.
 - (5) Payment for transportation of persons or property for or on behalf of the United States by a carrier or forwarder shall be made within 30 days after receipt of bills by the designated billing office (that is, the office designated in the contract or purchase order to receive invoices). Transportation bills may be paid before the General Services Administration (GSA) performs the rate audit.
- e. **Required Payment Documentation.** To ensure that payments are properly authorized and correct, the following documents are usually required: a contract, an invoice, and a receiving report or equivalent. Refer to OMB Circular A-125, Prompt Payment, for guidance on the requirements for proper contracts, invoices, and receiving reports.
- (1) **Services from Regulated Utilities.** Each payment must be based on a valid contract, purchase order, or similar contractual document. If a utility's rates have been fixed or adjusted by Federal, State, or other regulatory bodies, it is not necessary to have a contract to make payments to a public utility, regardless of the amount or the number of payments to be made, unless a contract is in the best interest of DOE. A public utility service is not required to furnish rate schedules if it supplies unit rates or if the invoices or bills from the utility show the total amount of the services furnished, the unit rates charged for the services, and the total amount charged. This does not preclude the use of a DOE contract when the utility company requires an agreement or contract for the furnishing of services.
 - (2) **Lost or Destroyed Original Invoices.** Payment shall be made on the basis of an original invoice. Should the original invoice be lost or destroyed, a duplicate should be obtained from the vendor. A full explanation of the circumstances of the loss or destruction of the original invoice and a statement that steps have been taken to prevent duplication of the payment must be added or attached to the duplicate invoice before it can be processed for payment. Adequate systems of internal controls shall be provided to ensure that no duplicate payments can occur under this procedure.
 - (3) **Negative Confirmation Approval Process.** For purchase order awards less than or equal to \$25,000, the negative confirmation approval procedure can be applied. Under this process, the paying office would process and certify payment without obtaining evidence of receipt and acceptance from the designated invoice-approving official. The invoice approving officials would continue to be responsible for documenting and ensuring receipt and acceptance of each invoice; however, the negative confirmation procedure would only require notification for those invoices if payment should not be made or should be different from the invoice amount of the purchase order. To illustrate, this notification should occur if goods and/or services are not received or accepted, or description, quantities, and

invoice total cost do not match those on the purchase orders (GAO Report GAO/AIMD-97-77R, Payment Processing (Energy), April 24, 1997). Invoices that are exempt from negative confirmation are invoices submitted under purchase orders with a cumulative estimated award value over \$25,000; contract invoices; and invoices where the risks of recovering overpayments exceed established thresholds (such as those from poor-risk vendors and vendors doing business with DOE for the first time).

f. Processing Invoices for Payment.

- (1) Actions Required Prior to Payment.** The prepayment actions specified below must take place with as little delay as possible. Proper procedures will ensure that payment officials have a valid contract that contains the required accounting data; all applicable amendments, with appropriate accounting data; and evidence that property or services have been received, inspected, and accepted or that the contracting officer or designee has approved the invoiced amount for payment.

 - (a)** The invoice shall be stamped with the date it is received in the designated billing office, and recorded as received. DOE may designate another agency or cognizant audit agency to receive contract invoices and may delegate to that agency the authority to approve for payment some invoices for cost reimbursement contracts. Such agencies must date the invoices or public vouchers to show when they were received. The date represents constructive receipt by DOE and is the date that should be used in timing payments.
 - (b)** DOE officials authorized to approve receiving reports must forward the approved documents to the appropriate DOE Field CFO for payment processing sufficiently in advance of the payment deadline so that documentation can be reviewed and contractors notified of any problems detected before penalties must be added to the amounts payable. For defective invoices, the notice may be given orally and confirmed in writing. Local procedures shall stipulate who is responsible for providing this notification. Invoices of \$25,000 or less may be processed for payment based on a negative confirmation of receipt if appropriate controls are in place to prohibit improper and excess payments. Use of a negative confirmation of receipt methodology requires prior written approval from the Departmental CFO.
- (2) Prepayment Examination by Statistical Sampling.** Respective finance offices are responsible for establishing a sampling plan consistent with GAO Title 7, Appendix III, "Use of Statistical Sampling Procedures in Examination of Vouchers for Payment."
- (3) Request for Progress Payments Under Construction Contracts.** Refer to OMB Circular A-125, Prompt Payment, for specific requirements.
- (4) Postpayment Verification by Statistical Sampling.** Quarterly, each DOE paying office will conduct a postpayment verification on a statistical sampling basis to verify the acceptance of goods or services for those payments that were processed under the negative confirmation approval procedure. A statistical

sampling of all invoices paid from the negative confirmation procedure would be selected from the universe of all such payments to verify that the process is operating as intended. For each item selected in the sample, the paying office would request evidence of receipt and acceptance from the applicable approving official. The paying office would compare the items listed on the related purchase orders, invoices, and receiving evidence to ensure that the type of goods and/or service received was ordered and that quantities, costs, and math are accurate, complete, and proper. DOE has set the tolerable threshold for errors at 5 percent of the number of invoices subject to negative confirmation. If the projected error rate exceeds this tolerance limit, the negative confirmation procedures would be adjusted to ensure that the rates do not breach the established thresholds (GAO Report GAO/AIMD-97-77R Payment Processing (Energy), April 24, 1997).

g. Timing of Payment.

- (1) Payment Due Date.** Refer to OMB Circular A-125, paragraph 4, for prompt payment standards. Payment may be made no more than 7 days before the payment due date, unless the CFO or Head of Field Element or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. If no date is specified in the contract, payment shall be scheduled to be made on the 30th day after receipt of invoice. See paragraph 3g(2) below for further clarification.
- (2) Receipt and Acceptance of Property and Services.** When a receiving report is used, it must be received by the paying office from the approving official within 5 working days of acceptance of the property or services unless other arrangements are made. If a contract does not specify a period to accept property or services, the acceptance period shall be no more than 7 working days after delivery of property or services, although acceptance may occur sooner. Receiving reports and invoices will be stamped or otherwise annotated with the date upon receipt by the payment office. The approving official must ensure that the invoice contains the data necessary for prompt payment processing; for example, the contract or other identifying number and a breakdown of billed costs by budget and reporting code. If property or services have not been received or if the terms of the contract have not been met, the designated approving official shall notify the procurement and payment offices immediately of the problems and the corrective actions that have been initiated.
- (3) Payment in Advance of Receipt.** In some situations, payment may be made without evidence that property has been received in accordance with OMB Circular A-125, Prompt Payment.

h. Discounts.

- (1) References.** Refer to OMB Circular A-125 and I TFM 6-8000. Also, see Attachment 6-1 for determination of cost-effective discounts and Attachment 6-2 for determination of interest penalty when an improper discount has been taken.
- (2) Accounting for Lost Discounts.** Economically advantageous purchase discounts that are lost shall be charged to the same object class and budget and reporting classification as the original contract or purchase order. Discounts lost for

contracts or purchase orders funded by multiple budget and reporting classifications or appropriations should be prorated in proportion to the costs of goods and services acquired. Lost discounts related to plant and equipment acquisitions shall immediately be written off as a nonfund charge to cost of operations.

i. **Penalties.** The following requirements for penalties are applicable to all Field CFOs:

- (1) **Grace Period.** No grace period will be used regardless of the date of the contract award or modification.
- (2) **General.** Pay interest penalties out of funds made available for the procurement of property or services delivered. Penalties shall be charged to the same object class and budget and reporting classification as the original contract or purchase order. Prorate penalties for contracts or purchase orders funded by more than one budget and reporting classification or appropriation. Penalties related to plant and equipment acquisitions shall immediately be written off as nonfund charges to cost of operations. Interest penalties are subject to fund limitation, and fund availability must be assured. See Attachment 6-3 for sample notification of a program official that a penalty has been charged to the program and Attachment 6-2 for computation of the penalty.
- (3) **Due Dates.** Interest penalties are due on payments made after the payment due date for amounts retained during contract performance and released after completion of the contract. This applies to all types of contracts not excluded by paragraph 3i(9) when complete delivery and acceptance have occurred (see Attachment 6-3).
- (4) **Payment of Interest Penalties Under Construction Contracts.** Interest penalties shall be paid as required by the contract's specified payment terms and conditions. If no payment terms are specified in the contract, penalties shall be paid as required by the Prompt Payment Act, as amended, regardless of the date of contract award or modification.
- (5) **Payment of Interest Penalties Under Architect-Engineer Contracts.** Interest penalties shall be paid under architect-engineer contracts when the provisions of the contract specify that penalties apply. If no penalties for late payment of a final invoice are specified, penalties shall be paid as required by the Prompt Payment Act, as amended. Penalties for late progress payments must be specified in the contract and as such are established as a matter of policy in applicable procurement regulations.
- (6) **Payment of Interest Penalty on an Improper Invoice Returned Late to the Vendor.** See Attachment 6-2.
- (7) **Additional Interest Penalties.** Refer to OMB Circular A-125.
- (8) **Payment of Interest Penalty When an Improper Discount Has Been Taken.** See Attachment 6-2.

- (9) **Payments Not Subject to Penalties.** The following payments are not subject to penalties:
- (a) Interim payments under cost reimbursement contracts.
 - (b) Progress payments based on a percentage or stage of completion (other than construction or architect-engineer contracts).
 - (c) Advance payments.
 - (d) Payments made solely for financing purposes.
 - (e) Contracts for utilities (gas, water, electricity), or informal contracts for the purchase of utilities that include provisions for late-payment charges established by tariff or state regulatory commissions.
 - (f) Payments on which the interest penalty would be less than \$1.
 - (g) Payments made to recipients of grants or Federal assistance.
 - (h) Payments to Federal employees.
 - (i) Payments to Federal agencies.
 - (j) Payments of amounts withheld or deducted from invoices by the contracting officer, approving official, or Field CFO, in accordance with contract terms. (Penalties are not applicable before the amounts withheld are released. Once the contract is completed and the amounts withheld are released, interest penalties apply.)
 - (k) Payments delayed because of disagreement over the amount of payment or other issues concerning compliance with the contract.

4. CONTRACT FINANCING PAYMENTS.

- a. **Definition.** "Contract financing payment" means an authorized disbursement of moneys prior to acceptance of supplies or services, and includes advance payments, progress payments based on cost, progress payments (other than under-construction contracts or architect-engineer contracts) based on a percentage or stage of completion, and interim payments on cost-type contracts. Contract financing payments do not include invoice payments or payments for partial deliveries.
- b. **Due Date.** The due date for making contract financing payments by the designated payment office will be the 30th day after the designated billing office has received a proper contract financing request unless the terms of the contract specify another time period. If an audit or other review of a specific financing request is required to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the due date specified or to pay interest as specified in the Prompt Payment Act (31 USC 39).

- c. **Nonrecurring Contract Financing Requests.** For advance payments, loans, or other arrangements that do not involve recurrent submission of contract financing requests, payment shall be made in accordance with the applicable contract financing terms or as directed by the contracting officer.
- d. **Proper Contract Financing Request.** A proper contract financing request must comply with the terms and conditions specified by contract financing clauses or other authorizing terms. The contractor shall correct any defects in requests submitted in the manner specified in the contract or as directed by the contracting officer.
- e. **Annotation.** The designated billing office and designated payment office shall annotate each contract financing request with the date that the proper request was received by their respective office.

5. PAYMENTS UNDER FINANCIAL ASSISTANCE INSTRUMENTS.

- a. **General.** The Department shall select the payment method under a grant or subgrant with the objective of minimizing the time between the transfer of funds from Treasury and their disbursement by the grantee or subgrantee for grant or subgrant purposes. See paragraph 8 of this chapter on the use of Treasury's Automated Standard Application for Payment System and paragraph 9 of this chapter on Health and Human Services' Payment Management System; Chapter 7, "Advances, Prepaid Expenses, and Other Assets," for information on advances; Chapter 14, "Grants and Cooperative Agreements," for information on grants; and 10 CFR 600 and 605 for information on assistance regulations.
- b. **Prompt Payment Act Exemption.** Financial assistance instruments are not subject to the Prompt Payment Act. Recipients of Federal assistance may pay interest penalties if so specified in their contracts with contractors. However, obligations to pay such interest penalties will not be obligations of DOE, and DOE funds may not be used for this purpose.

6. CASH ADVANCES.

- a. **Determining Amounts.** Field CFOs share the responsibility for monitoring all advances with the cognizant procurement and program officials. Funds advanced to others must be kept to the minimum amount necessary to meet the immediate cash-flow needs of DOE's portion of the liabilities. Cash advances to others should not exceed 2 workdays' requirements. Cash needs shall be determined by the contractor's or recipient's cash outlay requirements and shall not be based on costs incurred.
- b. **Monitoring.** Financial reports required by the terms and conditions of a contract shall be used to monitor advances to the contractor's cash position. Documents used to monitor the cash position of a recipient of a financial assistance award include SF-269, "Financial Status Report"; SF-272 and SF-272A, "Federal Cash Transactions Report"; SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; and any other report of a recipient's financial activity that may be required for effective cash management. The contractor's cost reports shall be compared to the advance financing activity and balance of Federal cash on hand periodically, but not less frequently than each quarter. These reviews are done to ensure that the recipient organization, that is, the contractor or recipient, is requesting in accordance with the

terms of the contract, if applicable, and is receiving funds as close as is administratively feasible to the actual disbursements by the recipient organization. If the recipient organization fails to demonstrate adequate procedures to time requests for funds based on actual cash needs, then the Automated Standard Application for Payments (ASAP) account or other advance financing arrangement shall be terminated.

- c. Refunding.** If funds are erroneously requested in excess of a recipient organization's immediate disbursement needs, the excess funds should be promptly refunded and reissued when needed. The only exceptions to the requirement for prompt refunding are if the funds involved will be disbursed by the recipient organization within 2 workdays or when they are less than \$10,000. These exceptions to the requirement for prompt refunding should not be construed by the recipient as approval by Treasury or DOE for a recipient organization to maintain excessive funds. These exceptions are applicable only to excessive amounts of funds that are requested erroneously.
- d. Interest Income.**

 - (1) The Cash Management Improvement Act of 1990, as amended, was enacted to minimize the time elapsing between the transfer of Federal funds to a state and the state's payout of those funds for program purposes. Annually, each state must submit a report to the Department of the Treasury on the amount of interest due to or from the Federal Government. The program agencies review the states' reports for reasonableness and accuracy and report their findings back to Treasury, which will pay or collect the interest due.
 - (2) For other recipients of Federal funds, any interest earned must be promptly refunded unless the recipient is authorized by law to keep it. Additionally, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts. Interest earned on these accounts shall be remitted at least quarterly to DOE. Up to \$100 of the interest earned per year may be retained by the recipient to cover administrative expenses.
- e. Termination.** The advance funding arrangement shall be revoked, and any unused advance returned, when either the contract expires or the work is completed. If additional moneys are due after revocation, the final payment will be by SF-1166 OCR, "Voucher and Schedule of Payments."

7. PAYMENTS CLEARED FUNDING.

- a. General.** Within the Department, payments cleared funding is used for financing management and operating contractors and other major contractors. Contracts authorizing the use of payments cleared funding shall be in compliance with the requirements of DOE Acquisition Regulation (DEAR), subpart 970.32, "Contract Financing." Cash withdrawals by this method are determined by the total of contractor-issued payments that clear for payment by the servicing financial institution. The financial institution must be able to access the Fedwire System to make online requests for funds. A special financial institution account agreement with DOE, the contractor, and the financial institution is required. Instructions for the solicitation of banking services are contained in Attachments 6-4 and 6-5. Detailed requirements for servicing

the contractor on a payments cleared funding basis using Treasury's Automated Standard Application for Payments 1031 system are contained in I TFM 6.

- b. New Payments Cleared Funding Accounts.** All new payments cleared funding accounts set up in ASAP 1031 require prior notice to the Treasury ASAP 1031 project office. Notification of a new payments cleared account shall be submitted to the Director, Office of Financial Policy, one month prior to the proposed implementation date. If the purpose of the account remains the same but DOE changes the financial institution or the contractor, a notification still must be submitted. Field CFOs must submit any necessary enrollment forms to the appropriate Treasury Regional Finance Center.
- c. Operations.** Drawdowns are delayed until payments issued by the contractor organization clear the financial institution for payment. The amount of the drawdown should be sufficient to maintain the contractor's account balance as close to zero as administratively possible. Subsidiary demand accounts, such as payroll, will not be prefunded but will be included in the drawdown to cover payments cleared against the main account. The DOE Field CFO shall record drawdowns as of the funds transfer date. Copies of ASAP 1031 reports shall be retained and used for monthly reconciliation with Treasury. Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the DOE account at the Federal Reserve Bank of Richmond. Under the payments cleared financing arrangement, the financial institution is compensated for services performed by fees or by a noninterest-bearing time deposit. The compensation method most cost-effective to the Government will be used.
- d. Required Forms.** ASAP 1031 enrollment forms are available from the Financial Management Service. Instructions for completing the required forms are contained in the "ASAP 1031 Guidelines" that are provided with the forms. The forms require manual signatures by authorized individuals.
- e. Monitoring.** The Field CFO shall establish procedures that ensure at least a quarterly review of each payments cleared financing arrangement. At the option of the Field CFO and the responsible contracting officer, the review may be performed by the contractor, with a copy of the results provided to the Field CFO. At a minimum, the review shall entail an analysis of the account statements to determine whether the accounts are being operated by the financial institution correctly, whether the financial institution is being properly and adequately compensated in accordance with the special financial institution account agreement, and whether the financial institution is maintaining the level of collateral commensurate with the account balances. Overdrafts and excess balances shall be dealt with as detailed below. However, the primary consideration in this process is to ensure that the financial institution is paid for the services performed, that account balances are minimized, and that account balances over the prescribed insurance limit are properly collateralized.

- f. **Overdrafts and Excess Drawdowns.** Although drawdowns under a payments cleared financing arrangement are made with the intent of maintaining the cash balance in the recipient's bank account as close to zero as administratively feasible, overdrafts and excess balances may occur. In such cases, the procedures below should be followed:
- (1) **Overdrafts.** On the first business day following an overdraft, the financial institution will draw down an amount equal to the net sum of the overdraft, offset by any receipts.
 - (2) **Excess Balances.** An excess account balance results when a financial institution makes a drawdown from the ASAP 1031 account for more funds than needed to cover the net of the receipts and disbursements for the day in the contractor's account. The financial institution must return the excess balance to FRB Richmond by 5:45 p.m. Eastern time. If the financial institution is unable to return the excess by that time on the day of the occurrence, the excess should be used to offset the next day's drawdown, and any remaining excess should be returned to FRB Richmond before 5:45 p.m.
 - (3) **Monthly Adjustments.** Monthly, the financial institution calculates the average daily balance for the demand deposit account. The contractor will instruct its financial institution to adjust its drawdowns during the upcoming month in an amount necessary to offset the average positive or negative balance for the month.
 - (4) **Penalties on Excess Funds.** If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. The penalty amount shall be credited to account 89X1435, General Fund, Proprietary Interest, Not Otherwise Classified, or to another account specifically authorized by Treasury.
- g. **Closeout.** After all outstanding payment items have been cleared or a stop payment order has been issued therefor, the remaining authorized balance in the payments cleared funding account at FRB Richmond must be reduced to zero and the account closed in ASAP 1031.
- h. **Reporting Requirements.** Each Field CFO shall record expenditures based on the paid transactions listed in the ASAP 1031 report. A separate agency location code (ALC) is encouraged for each payment center's ASAP activity.

8. AUTOMATED STANDARD APPLICATION FOR PAYMENT (ASAP).

- a. **General.** The Department of the Treasury's ASAP system provides next-day payment services to grantees (and certain contracts approved for advance funding) via automated clearinghouse (ACH) transfer. A special module of the system, ASAP 1031, is utilized under a payments cleared financing arrangement to pay the Department's management and operating contractors and other major contractors. Payment centers desiring the service must submit enrollment forms and receive training in the use of the system prior to implementation.

- b. Procedure.** The grantee or contractor submits an electronic payment request to the Federal Reserve Bank of Richmond (FRB Richmond). FRB Richmond processes the request and sends the payment to the recipient's bank account.
- c. Field Office Responsibilities.** Principal field office responsibilities include the following:
 - (1) enrolling the recipients with the Financial Management Service;
 - (2) setting up accounts for the recipients in the ASAP system;
 - (3) inputting authorizations; and
 - (4) reconciling accounting records to ASAP accounts.

The system produces various reports for field office and recipient use. For further information, see I TFM 6.

9. HEALTH AND HUMAN SERVICES' PAYMENT MANAGEMENT SYSTEM (HHS/PMS).

- a. General.** The Department of Health and Human Services provides next-day payment service to grantees (and certain contracts approved for advance funding) via automated clearinghouse (ACH) transfer under a cross-servicing agreement. Individual agreements must be signed by the field offices desiring the service.
- b. Procedure.** The grantee or contractor submits an electronic payment request to the National Institutes of Health (NIH) payment processing center. The payment center processes the request and sends the payment to the recipient's bank account via the FRB Richmond.
- c. Field Office Responsibilities.** Principal field office responsibilities include the following:
 - (1) registering recipients with the NIH payment center;
 - (2) inputting authorizations into the system; and
 - (3) reconciling accounting records to the system. HHS/PMS provides SF-224, "Statement of Transactions," reporting to Treasury and produces various reports for field office use. Inquiries about the system should be addressed to:

Department of Health and Human Services
Division of Payment Management
P.O. Box 6021
Rockville, MD 20852

- 10. GOVERNMENT SMALL PURCHASE CHARGE CARDS.** Small purchase charge cards are issued to designated DOE and contractor employees for purchases of \$25,000 or less. The card bears the employee's name and can be used only by that employee. The card is subject to a single transaction limit, a monthly cardholder limit, and a monthly field office limit established by the field office. Small purchase cards provide significant savings in

administrative costs over other methods. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE and contractor employees. For further information, refer to I TFM 4-4500.

11. **GOVERNMENT TRAVEL CHARGE CARDS.** Travel charge cards are issued to DOE employees who travel once or more in a year for charging transportation, subsistence, and other allowable travel and transportation expenses incurred while on official travel. Travelers may use the cards to obtain advances from Automated Teller Machines (ATMs) for out-of-pocket expenses. This eliminates the need for cash advances from the Department. Employees who possess travel charge cards make payments directly to the card provider and the card provider has no recourse against the Department for nonpayment. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE employees. For further information, see DOE 1500.4A, Travel Charge Card Program.
12. **FEDSELECT CHECKS.** FedSelect checks are Treasury's low-cost alternative to commercial third-party drafts. Their dollar limit is \$10,000; a waiver can be granted up to \$25,000. The checks are used to replace imprest fund disbursements and for other "on demand" payment needs. The FedSelect system uses a positive payment process to minimize the potential for fraud. For further information, see I TFM 4-3500.
13. **IMPREST FUNDS.**
 - a. **General.** Field offices must use all available methods to eliminate imprest fund balances, including EFT payments, Government small purchase charge cards, Government travel charge cards, and FedSelect checks. DOE has direct responsibility for ensuring the proper use of cashier advances and establishing procedures to govern imprest fund activities. Cashier advances are charged to DOE's appropriated funds and thereby bring such advances under DOE and OMB guidelines that control appropriations. Those persons delegated authority to *both* designate certifying officers *and* appoint cashiers via TFS Form 2958, "Delegation of Authority," have automatic authority to establish and terminate imprest funds. All DOE imprest funds operate under 31 U.S.C. 3321 (formerly Executive Order 6166) and the policies and procedures contained in I TFM 4-3000 and the Treasury Manual of Procedures and Instructions for Cashiers.
 - b. **Securing and Disbursing Cash.**
 - (1) **Replenishment of Principal Advances.** To maintain an imprest fund at an authorized amount, replenishments must be made periodically. The principal cashier should submit an SF-1129, "Reimbursement Voucher," to the designated certifying official, who shall prepare an SF-1166 or another appropriate voucher for submission to the Regional Finance Center to replenish the fund.
 - (2) **Managing Cash.** Cashiers shall monitor the use of the fund to ensure that cash balances are maintained at the minimum levels needed to meet operating requirements. Cashiers shall request replenishments in accordance with these demands.

- (a) **Size of Replenishment.** Replenishments should be requested for the smallest amounts practical to minimize the amount of cash-on-hand needed to meet normal requirements.
 - (b) **Check-Cashing Fees.** Before paying a fee to a local financial institution for cashing a Treasury check, the cashier shall make every effort to have the check cashed without a fee. Long-term arrangements to cash replenishment checks “fee-free” should be made whenever possible. If paying check-cashing fees cannot be avoided, they may be paid from imprest funds. These fees must be reasonable and customary for the cashier’s geographical area. Fees paid should be supported as follows:
 - 1. Prepare an SF-1165, “Receipt for Cash-Subvoucher,” or an equivalent receipt in duplicate, describing the official check and its purpose.
 - 2. Have an official of the financial institution sign the original receipt and affix the bank’s “paid” stamp at the time the fee is paid.
 - 3. Retain the original receipt with the other imprest fund receipts.
 - 4. Include the fee in the next routine replenishment transaction.
 - (c) **Endorsing an Unused Check.** Replenishment checks should not be held for more than 30 days without an assessment by the finance officer as to the continued need for the imprest funds represented by the unnegotiated checks. Uncashed checks returned to Treasury shall be endorsed to the order of “Department of Energy,” not Department of the Treasury, because such funds have been charged to a DOE appropriation. These checks shall be deposited with an SF-215, “Deposit Ticket,” to the appropriate 8-digit ALC.
 - c. **Safekeeping Facilities for Cash.** Imprest fund assets, especially cash, require absolute security. Field CFOs or designees shall ensure that adequate physical facilities and internal controls are provided for safekeeping of imprest fund assets. The cashier must maintain exclusive control of the fund, regardless of the safekeeping facilities provided. The Treasury Manual of Procedures and Instructions for Cashiers provides additional guidance on safekeeping facilities for imprest funds.
 - d. **Responsibilities for Cashiers’ Funds.** Field CFOs will ensure that unannounced verifications of imprest fund cash balances will be made by independent persons at least quarterly. Unannounced audits of each imprest fund will be conducted as frequently as needed to ascertain that all funds are properly accounted for, that the amounts are not in excess of current requirements, and that procedures are being followed that will adequately protect the funds from loss or misuse (see also the Treasury Manual of Procedures and Instructions for Cashiers).
14. **SPECIAL DEPOSIT FUNDS.** Special deposit funds are combined receipt and reimbursement accounts established to account for receipts held in suspense temporarily and later refunded or paid into some other fund of the Government, or held by the Government as banker or agent for others and paid out at the direction of the fund custodian for purposes authorized by law. Additional guidance for special deposit funds is found in

paragraph 9 and Attachment 13-4 of Chapter 13, "Reimbursable Work, Revenues, and Other Collections."

15. LIMITED PAYABILITY AND CLAIMABILITY. Refer to TFM Bulletin 90-03 and 31 CFR 235, 240, 245, and 248 for specific requirements.

- a. Payability is the length of time a check can be negotiated to a financial institution. Treasury checks dated on or before 9-30-89 must have been cashed by 9-30-90. Treasury checks dated on or after 10-1-89 must be or have been cashed within 1 year from the date of issuance.
- b. Claimability is the length of time during which a payee can present a claim of nonreceipt, loss, or theft of a check to an agency.
- c. Reclamation is a demand by Treasury for a refund of the amount of a check payment from the presenting bank or other endorser. Title X, Public Law 100-86, reduces the period during which Treasury may reclaim the amount of a check that has been paid over a forged or unauthorized endorsement. Treasury considers the date of payment to be the date on which the Federal Reserve Bank gives provisional credit for the item to the clearing bank.

16. REPORTING.

- a. **Statement of Transactions (SF-224).** Each Field CFO shall prepare a monthly SF-224 for each of that office's ALCs to report net disbursements to Treasury. Refer to I TFM 2-3300 for specific reporting and reconciling requirements.
- b. **Prompt Payment Report.**
 - (1) Field CFOs shall submit prompt payment reports in the format, and frequency, determined by the CFO.
 - (2) Field CFOs should use actual data in the reports. However, to minimize the cost of reporting, valid statistical sampling methods may be used to derive the required information for reports. The use of statistical sampling methods must be disclosed.
- c. The Field CFO must also comply with reporting and certification as required in I TFM 6-8075.

17. PROMPT PAYMENT QUALITY CONTROL PROGRAM.

- a. **General.** OMB Circular A-125, Prompt Payment, requires that Federal agencies establish a quality control (QC) program to:
 - (1) ensure that payments are made in accordance with OMB Circular A-125;
 - (2) provide a reliable way to estimate payment performance; and
 - (3) ensure the integrity of prompt payment reporting.

The following guidelines have been established as standards for the QC program.

b. Standards.

- (1) QC must be a systematic performance measurement system in place at each payment center.
- (2) QC data should provide managers with information about problems and assist in targeting corrective action.
- (3) QC data must be accurate within a confidence level of 90 percent, with a precision of plus or minus 10 percent.
- (4) Data should be gathered as frequently as needed by the cognizant Field CFO to identify and correct errors, but not less frequently than annually (if only annually, gather data at the end of each fiscal year). The annual review shall cover the entire preceding fiscal year. Frequent staff turnover, significant increases or changes in the nature of procurement actions, changing prompt payment requirements, and prior deficiencies are situations requiring more frequent gathering of data. If data are gathered more frequently than annually, for example, quarterly, the data should be gathered based on a valid statistical sample drawn after each quarter of the fiscal year.
- (5) QC reviewers must use original documents and repeat original calculations.
- (6) When a total review is not possible, data should be gathered on the basis of a statistically valid sample sufficient to assure reliability of QC reviews without unduly burdening finance office resources.
- (7) Collection of data must be performed by persons independent of the original payment decision.
- (8) Analysis of QC data must result in remedial action targeted to correct objectively determined error causes.

c. Procedures for Performing a QC Review. Field CFOs shall use the following procedures to perform a QC review:

(1) Reviewers shall:

- (a) Select a statistically valid random sample of sufficient size to provide a 90-percent confidence level, plus or minus 10 percent, that sample data are representative of the overall population. The U.S. Army Audit Agency (USAA) statistical sampling program or equivalent will be used to determine the sample size. Copies of the USAA statistical sampling program are available from the Office of Financial Policy (CR-20/GTN). Attachment 6-6 is a checklist of items to be completed.
- (b) Gather sample data generated from original documents and repeat original calculations to assess prompt payment performance.

- (c) Compare data generated from the sample to system-generated data to determine the accuracy of system-generated data.
- (d) Report findings to the Field CFO.

(2) Field CFOs shall:

- (a) Select persons independent of the original payment decision to perform QC reviews.
- (b) Determine the cause of any deficiency in payment performance or error in the system-generated data.
- (c) Implement appropriate action to correct any deficiencies or error causes.
- (d) When a significant deficiency or error is discovered (for example, the payment due date is routinely based on receipt of invoice only), conduct a followup review of data for the quarter following corrective actions to ensure that the deficiency or error has been eliminated. The followup review shall also be performed on the basis of a valid statistical sample.
- (e) Maintain appropriate documentation related to the foregoing activities. Such documentation shall be made available upon request to the CFO or designee.

ATTACHMENT 6-1

SAMPLE DETERMINATION OF COST-EFFECTIVE DISCOUNTS

1. Take a discount only when the discount rate offered is equal to or greater than Treasury's current value of funds rate. Use the following conversion formula to convert discount terms to the effective annual interest rate, which will be used as a comparison factor against the current value of funds rate:

Conversion Formula

$$\frac{\text{Discount \%}}{100\% - \text{discount \%}} \times \frac{\text{Days in year (360)}}{\text{No. of days from discount date to due date}} = \text{Effective annual interest rate}$$

Example:

Discount terms: $\frac{1}{2}\%$ (0.005) in 10 days, net 30 days

$$\frac{.005}{1.000 - .005} \times \frac{360}{(30 - 10)} = .09, \text{ or } 9\%$$

Conclusion: If the current value of funds rate is 9% or less, the offered discount should be taken.

2. The following table of the more commonly offered discount terms, along with their corresponding effective annual interest rate conversions, may be used as a ready reference guide:

| Discount Terms | Effective Annual Rate | Discount Terms | Effective Annual Rate |
|----------------|-----------------------|----------------|-----------------------|
| 2/20 net 30 | 74.5 | 0.8/10 net 30 | 14.7 |
| 2/10 net 30 | 37.2 | 0.7/10 net 30 | 12.9 |
| 1/20 net 30 | 36.9 | 0.6/10 net 30 | 11.0 |
| 0.75/10 net 30 | 13.8 | 0.55/10 net 30 | 10.1 |
| 1/10 net 30 | 18.4 | 0.5/10 net 30 | 9.2 |
| 0.5/20 net 30 | 18.3 | 0.2/20 net 30 | 7.3 |
| 0.9/10 net 30 | 16.6 | 0.1/20 net 30 | 3.7 |
| 0.85/10 net 30 | 15.6 | 0.1/10 net 30 | 1.8 |

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ATTACHMENT 6-2

SAMPLES

1. DETERMINATION OF INTEREST PENALTY ON A PROPER INVOICE PAID LATE

Terms: \$10,000, due in 30 days

Facts: Paid on the 50th day after receipt

Interest computation: $\$10,000 \times \text{prompt payment interest rate in effect on the day payment becomes overdue (for example, } 7\% \times .0556 \text{ (20 days late divided by a 360-day year))} = \38.92 interest penalty

2. DETERMINATION OF INTEREST PENALTY WHEN AN IMPROPER DISCOUNT HAS BEEN TAKEN

Term: \$10,000, 2/10 net 30

Facts: Discount of \$200 was taken on the 12th day, which was 2 days past the discount period. The discount was paid to business concern on the 30th day after the discount period expired.

Days of interest penalty: 30

Interest computation: $\$200 \times \text{prompt payment interest rate in effect on the day payment becomes overdue (for example, } 7\%) \times (30 \text{ days late divided by a 360-day year)} = \1.17 interest penalty

Payment to vendor: $\$200.00$ (improper discount) + 1.17 (interest penalty) = $\$201.17$ total payment to vendor

3. DETERMINATION OF INTEREST PENALTY ON AN IMPROPER INVOICE RETURNED LATE TO VENDOR

Terms: \$10,000, due in 30 days

Facts: The original invoice was returned to the vendor on the 18th day after receipt. The maximum acceptance is 7 days, plus the day the invoice is returned, so 10 days are subtracted from the 30-day due date. The revised invoice was paid on the 35th day after receipt.

Days of interest penalty: 15 (subtracting 20 days from the 35 days)

Interest computation: $\$10,000 \times \text{prompt payment interest rate in effect on the day payment becomes overdue (for example, } 7\%) \times (15 \text{ days divided by a 360-day year)} = \29.17 interest penalty

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ATTACHMENT 6-3

SAMPLE INTEREST PENALTY ASSESSMENT MEMORANDUM

Confirmation of Interest Penalty Assessed. (Official authorized to approve program release documents.)

In accordance with the interest penalty provisions of this chapter, an interest penalty has been assessed in relation to a contract bearing a funds citation for which you are authorized to approve program release documents.

Pertinent details are as follows:

1. Accounting classification charged (also show budget and reporting code and fund type):
8920212.91
2. Amount of interest penalty charges: \$1.50
3. Date interest penalty charged: 12-31-94
4. Interest rate: 15.5%
5. Days late: 17
6. Contract identification number: DE-AC-01-82-NE-32097
7. Contractor: A. Voice, Inc.
8. Invoice or bill number: 39 82 R C0702.000
9. Reason for delay: Misplaced invoice

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ATTACHMENT 6-4

SOLICITATION FOR FINANCIAL INSTITUTION SERVICES

When a new contract that provides for payments cleared funding has been awarded by DOE, the Departmental CFO will advise Treasury that a new payments-cleared funding account is pending. The Field CFO shall also work with the cognizant procurement official and the contractor to solicit banking services for the contractor under a special financial institution account agreement. The Field CFO will provide the contractor with the information required to survey eligible financial institutions for interest in providing its banking needs under a contractor's payments cleared financing arrangement.

DOE requires that financial institutions be covered by the appropriate deposit insurance and post collateral in accordance with Department of the Treasury regulations governing securing of Government accounts. The institutions must maintain an account with a Federal Reserve Bank. On completion of the survey, the contractor shall be asked to provide a list of suggested bidders to the procurement officer. The procurement officer shall solicit bids from eligible institutions and, with the advice of the Field CFO and the contractor, competitively select a financial institution to provide banking services to the contractor under a payments cleared financing arrangement.

A copy of the special financial institution account agreement signed by all parties shall be delivered to the Field CFO so that an Automated Standard Application for Payment 1031 (ASAP 1031) account can be set up at the Federal Reserve Bank of Richmond. Refer to Attachment 6-5 for the format of the special financial institution account agreement.

1. Prior to soliciting bids from financial institutions for their services, the following actions must be completed:
 - a. The contractor, with the Field CFO's assistance, shall complete the "Schedule of Financial Institution Processing Charges" form (Schedule 1 of Attachment 6-5) by typing in the contractor's name and the projected monthly quantities of services that the institution will be required to provide. Use of this form will standardize the basis on which the institutions will bid.
 - b. When the time deposit method is selected, the average Treasury tax and loan interest rate for the most recent month shall be used for calculating the amount of the noninterest-bearing time deposit (Schedule 2 of Attachment 6-5).
2. The procurement officer shall determine the method to be used in soliciting bids. Soliciting for bids shall be done by the cognizant procurement office in accordance with acquisition regulations. If fewer than three bids are received in response to the initial solicitation, the bid area shall be expanded and the service rebid, or the responsible contracting officer, in coordination with the Field CFO, shall make a determination, in writing, that expanding the bid area would not result in an increased competition.
3. Samples of solicitation materials to be included in the solicitation are provided in Attachment 6-5. The information provided may not be comprehensive and can be modified to include applicable cash management provisions contained in paragraphs 7c through 7g of this chapter and any other warranted provisions. Generally, if specific requirements are not spelled out in the contract, the financial institution cannot be required to comply with them.

However, the funds and the accounts held under a special financial institution account agreement belong to the Government and must be collateralized in accordance with Treasury regulations, specifically, Treasury Circular 176 and I TFM 6-9000, even if not included in the written agreement.

4. The financial institution will be compensated for its services based on the fees bid for those services. It may be compensated by a direct payment of the fees, or by the placement of a noninterest-bearing time deposit, which it can invest. The earnings on that investment would be the financial institution's compensation. Fees paid for these banking services are an allowable cost under such management and operating contracts.
 - a. The compensation method selected shall always be the most cost-effective, taking into consideration the cost of money to Treasury and the administrative costs of monitoring the method selected.
 - b. Under the direct payment method, the financial institution submits a monthly invoice to the contractor's office. The invoice will show amounts due in accordance with the per-item costs specified on the "Schedule of Financial Institution Processing Charges." The financial institution is compensated by a payment drawn on the recipient's account in the financial institution.
 - c. Under the time deposit method, the financial institution receives a noninterest-bearing time deposit sufficient to generate income for the financial institution equal to its annual service charges. These service charges are based upon annual volumes of account activity and the per-item cost as stated on the "Schedule of Financial Institution Processing Charges." Specific instructions for determining the proper time deposit balance can be found in the "Calculation of Time Account Balance Required" form. The time account shall be established before the first drawdown on the ASAP 1031 account at FRB-Richmond. All Government funds in a financial institution must be protected against loss. This includes time deposits placed with the institution as compensation for services and positive balances that occur in the demand accounts from time to time. For each relationship that exists, the total balance held by the institution will be the amount that is to be collateralized, less the amount of the approved insurance. Deposits in approved financial institutions are covered by Federal or federally approved insurance up to a set limit. A list of recognized insurers is included in Appendix 1 of I TFM 6-9000. Amounts in excess of the insurance limits must be secured by collateral pledged with a Federal Reserve Bank (FRB). I TFM 6-9000 describes the collateralization procedure.
5. The DOE Field CFO shall submit a written notification of a new pending payments cleared funding account to the Director, Office of Financial Policy, approximately 1 month before the desired implementation date. The request should include the following:
 - a. Name and address of the recipient organization;
 - b. Name and address of the financial institution selected to provide the services;
 - c. Name and telephone number of a contact at the selected financial institution;
 - d. Pending ASAP 1031 account number; and
 - e. Proposed date of implementation.

ATTACHMENT 6-5

SAMPLE SOLICITATION LETTER

Dear Sir or Madam:

The Department of Energy is currently soliciting bids from interested financial institutions to provide services for the [contractor's name] account under a payments cleared financing arrangement.

The Automated Standard Application for Payment (ASAP) system is utilized by the Federal Government for paying grants, contracts, and other programs. Under a payments cleared financing arrangement, the contractor issues payments for program costs. When the payments are cleared by the financial institution, the financial institution draws on an ASAP 1031 account at the Federal Reserve Bank of Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible.

The institution will be compensated by fee or by a noninterest-bearing time deposit sufficient to generate earnings to cover the cost of servicing the account.

Enclosed is a proposal package that provides your institution with information and forms to be used in submitting a proposal. The following documents are contained in the proposal and information package:

1. The figure entitled "Technical Representations and Certifications,"
2. The worksheet entitled "Schedule of Financial Institution Processing Charges,"
3. The worksheet entitled "Calculation of Time Account Balance Required,"
4. A sample agreement, and
5. The document entitled "Financial Institution's Information on the Payments-Cleared Financing Arrangement."

To receive same-day credit from the Federal Reserve, the financial institution ascertains the amount of payment items received for payment net of the amount of any deposits and submits an online payment request to the Federal Reserve Bank of Richmond by 5:45 p.m. Eastern time.

If your institution is interested in providing the financial services required under a payments cleared financing arrangement, a bid must be submitted to the following address by not later than [deadline date]:

[DOE mailing address]

The completed bid must be submitted in writing, using materials 1, 2, and 3 described above. Incomplete bids or bids received after the deadline date of [deadline date] will

not be considered. Your institution will receive notification of the final decision by letter within 30 days of the close of the bidding period.

Questions pertaining to the proposal package should be directed to [DOE official] at [official telephone number].

Sincerely,

Enclosures

TECHNICAL REPRESENTATIONS AND CERTIFICATIONS**SAMPLE**

The financial institution makes the following technical representations and certifications as part of its bid to the Department of Energy to service under a payments cleared financing arrangement. (Check parentheses and complete blanks, as appropriate. All information is necessary.)

1. Financial Institution Fiscal Information

- a. The financial institution is a () national chartered financial institution
() State chartered financial institution organized and existing in the State of _____.
- b. The financial institution () maintains () does not maintain an account with a Federal Reserve Bank.
- c. The current () Federal () State time deposit reserve requirement for the financial institution is ____%.
- d. The financial institution insures each time account for \$100,000 under federally approved deposit insurance () Yes () No. Deposits are insured by a Government deposit insurance organization approved by the Department of the Treasury (a list of approved insurance organizations is attached to this form). If no, explain:
- e. The financial institution has direct online access to the Federal Reserve Communications System (FRCS). If no, explain:
- f. To receive same-day credit from the Federal Reserve, the financial institution can ascertain the amount of payments cleared net of the amount of any deposits and submit a payment request through the FRCS by _____ p.m. Eastern time.

2. Minority Business Enterprises

Does the financial institution operate as a minority- or woman-owned business enterprise with at least 50-percent ownership by minority group or women members?
() Yes () No. (For present purposes, minority group members are African Americans, Hispanic Americans, Asian Americans, American Indians, Caucasian Women, Eskimos, and Aleuts.)

3. Technical

- a. Does the financial institution currently service and reconcile an account with a payment volume equal to or exceeding the anticipated volume required by the contractor as stated in the "Schedule of Financial Institution Processing Charges"?

Service: () Yes () No

Reconciliation: () Yes () No

- b. What is the highest number of payments serviced and reconciled for a single account?

Service:

Reconciliation:

Schedule 1**SCHEDULE OF FINANCIAL INSTITUTION PROCESSING CHARGES**

Contractor: _____

Financial Institution: _____

| Services | Contractor's Projected Monthly Quantity | Per Item Cost | Total |
|--|--|------------------|---------|
| 1. Account Maintenance | _____ | @_____ | \$_____ |
| 2. Checks Cleared | _____ | @_____ | \$_____ |
| 3. Automated Clearing House Transfers | _____ | @_____ | \$_____ |
| 4. Wire Transfers | _____ | @_____ | \$_____ |
| 5. Stop Payment Orders | _____ | @_____ | \$_____ |
| 6. Preparation of 1031, Request for Credit Transfer | _____ | @_____ | \$_____ |
| 7. Deposits | _____ | @_____ | \$_____ |
| 8. Non-cash Items Deposited | _____ | @_____ | \$_____ |
| 9. Other Services (Explained Below) | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| - | _____ | @_____ | \$_____ |
| 10. Total Monthly Service Charges (Sum Lines 1-9) | | | \$_____ |
| 11. Annual Service Charges (Line 10 x 12 months) | | | \$_____ |
| - | | | |

Schedule 2**SAMPLE****CALCULATION OF TIME ACCOUNT BALANCE REQUIRED**

Contractor: _____

Financial Institution: _____

1. Institution's annual service charge to be earned \$_____
2. Most recent month's average Treasury tax and loan interest rate* _____%
3. Divide the amount on line 1 by the rate percentage shown on Line 2 to determine unadjusted time deposit required to earn the annual service charge \$_____
4. Adjustment for reserve requirement:
 - a. Federal Reserve rate on time deposit: _____%
 - b. 100% minus the rate in 4a above _____%
5. Adjusted time deposit balance required to earn annual service charge (divide the amount on line 3 by the rate on line 4b) \$_____

*To be entered by DOE element prior to distribution in solicitation package.

Schedule 2

Quarterly adjustments to the noninterest-bearing time account shall be based on prior-quarter statistics, changes in reserve requirements, and the interest rate provided by the cognizant Department of Energy office.

Signature

(Corporate Seal) Name

Date of Proposal

Telephone Number

**SPECIAL FINANCIAL INSTITUTION ACCOUNT
AGREEMENT FOR USE WITH THE PAYMENTS CLEARED
FINANCING ARRANGEMENT**

Agreement entered into this, _____ day of _____, _____, between the UNITED STATES OF AMERICA, represented by the Department of Energy (hereinafter referred to as "DOE"), and _____, a corporation/legal entity existing under the laws of the State of _____ (hereinafter referred to as the Contractor) and _____, a financial institution corporation existing under the laws of the State of _____, located at _____ (hereinafter referred to as the Financial Institution).

RECITALS

- (a) On the effective date of _____, _____, _____, DOE and the Contractor entered into Agreement(s) No. _____, or a Supplemental Agreement(s) thereto, providing for the transfer of funds on a payments-cleared basis.
- (b) DOE requires that amounts transferred to the Contractor thereunder be deposited in a special demand deposit account at a financial institution covered by Department of the Treasury-approved Government deposit insurance organizations that are identified in I TFM 6-9000 (see Fig. IX-10).

These special demand deposits must be kept separate from the Contractor's general or other funds, and the parties are agreeable to so depositing said amounts with the Financial Institution.

- (c) The special demand deposit account shall be designated [name of Contractor], [account title] Account.

COVENANTS

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that—

- (1) The Government shall have a title to the credit balance in said account to secure the repayment of all funds transferred to the Contractor, and said title shall be superior to any lien, title, or claim of the Financial Institution or others with respect to such accounts.
- (2) The Financial Institution shall be bound by the provisions of said Agreement(s) between DOE and the Contractor relating to the transfer of funds into and withdrawal of funds from the above special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Financial Institution shall not be responsible for the application of funds withdrawn from said account. After receipt by the Financial Institution of directions from DOE, the Financial Institution shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions. Any written directions received by the Financial Institution from the Government upon DOE stationery and purporting to be signed by, or signed at the written direction of, the Government may, insofar as the rights, duties, and liabilities of the Financial Institution

are concerned, be considered as having been properly issued and filed with the Financial Institution by DOE.

- (3) DOE, or its authorized representatives, shall have access to financial records maintained by the Financial Institution with respect to such special demand deposit account at all reasonable times and for all reasonable purposes, including, but without limitation to, the inspection or copying of such financial records and any or all memoranda, checks, payment requests, correspondence, or documents pertaining thereto. Such financial records shall be preserved by the Financial Institution for a period of 6 years after the final payment under the Agreement.
- (4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the special demand deposit account, the Financial Institution shall promptly notify DOE at—

[Name of office]
 [street address]
 [city]
 [state and ZIP Code]

- (5) DOE shall authorize funds that shall remain available to the extent that obligations have been incurred in good faith thereunder by the Contractor to the Financial Institution for the benefit of the special demand deposit account. The Financial Institution agrees to honor upon presentation for payment all payments issued by the Contractor and to restrict all withdrawals against the funds authorized to an amount sufficient to maintain the average daily balance in the special demand deposit account in a net positive and as close to zero as administratively possible.

(For compensation by direct payment of fee)

The Financial Institution agrees to service the account in this manner based on the requirements and specifications contained in DOE solicitation No. _____, dated _____, _____. The Financial Institution agrees that per-item costs, detailed in the form "Schedule of Financial Institution Processing Charges," contained in the Financial Institution's aforesaid bid will remain constant during the term of this Agreement. The Financial Institution shall calculate the monthly fees based on services rendered and invoice the contractor. The contractor shall issue a check or automated clearing house authorization transfer to the Financial Institution in payment thereof.

OR

(For compensation by noninterest-bearing time deposit only)

The Financial Institution agrees to service the account in this manner based on the requirements and specifications contained in DOE solicitation No. _____, dated _____, _____, in consideration of the placement by DOE of a noninterest-bearing time deposit with the Financial Institution in an amount agreed upon as shown on the form "Calculation of Time Account Balance Required" contained in the Financial Institution's bid dated _____. The Financial Institution agrees that per-item costs, detailed in the form "Schedule of Financial Institution Processing Charges," contained in the Financial Institution's aforesaid bid will remain

constant during the term of this Agreement. The Contractor shall withdraw \$_____ in funds from the special demand deposit account and use such funds to make a noninterest-bearing time deposit in a separate account in the Financial Institution. This account will hereinafter be defined as the time deposit account. The funds in the time deposit account will remain on deposit and shall not be withdrawn or used for any purpose without the authorization of DOE. The amount of the deposit may be adjusted upward or downward, but only with the approval of DOE.

- (6) The Financial Institution shall post collateral, acceptable under Department of the Treasury Circular 176, with the Federal Reserve Bank in an amount equal to the net balances in all of the accounts included in this Agreement (including the noninterest-bearing time deposit account), less the Department of the Treasury-approved deposit insurance.
- (7) This Agreement, with all its provisions and covenants, shall be in effect for a term of _____ years, beginning on the _____ day of _____, _____, and ending on the _____ day of _____, _____.
- (8) DOE, the Contractor, or the Financial Institution may terminate this Agreement at any time within the agreement period upon submitting written notification to the other parties 90 days prior to the desired termination date. The specific provisions for operating the account during this 90-day period are contained in Covenant 11.
- (9) DOE or the Contractor may terminate this Agreement at any time upon 30 days' written notice to the Financial Institution if DOE or the Contractor, or both parties, find that the Financial Institution has failed to substantially perform its obligations under this Agreement or that the Financial Institution is performing its obligations in a manner that precludes administering the program in an effective and efficient manner or that precludes the effective utilization of the Government's cash resources.
- (10) Notwithstanding the provisions of Covenants 8 and 9, in the event that the Agreement, referenced in Recital (a), between DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor, and the Financial Institution shall be terminated automatically upon the delivery of written notice to the Financial Institution.
- (11) In the event of termination, the Financial Institution agrees to retain the Contractor's special demand deposit account for an additional 90-day period to clear outstanding payment items. (For compensation by noninterest-bearing time deposit only.)

Within 7 days of the expiration of the Agreement term, an analysis of the special demand deposit account shall be made by DOE to determine whether an insufficient or excessive balance was maintained in the time deposit account to compensate the Financial Institution for services rendered up to the expiration date.

- (a) If the analysis indicates that the Financial Institution has been insufficiently compensated for services rendered up to the expiration of the Agreement, the Contractor shall—

1. Maintain on deposit, during this 90-day period, sufficient Federal funds to reimburse the Financial Institution for prior cumulative loss of earnings, and

2. Maintain on deposit in the time deposit account sufficient Federal funds to compensate the Financial Institution for services rendered.
- (b) If the analysis indicates that the Financial Institution has been overcompensated for services rendered up to the expiration of the Agreement, DOE shall close out the time deposit account and secure from the Financial Institution a payment in an amount equal to the cumulative excess compensation less compensation for estimated services to be rendered during the 90-day period.
 - (c) If cumulative excess compensation is not sufficient to compensate the Financial Institution for services rendered during the 90-day period, adjustments shall be made to the time deposit account to compensate the Financial Institution for the difference between the cost of services rendered during the 90-day period and the cumulative excess compensation.

This Agreement shall continue in effect for the 90-day additional period, with exception of the following:

1. Term Agreement (Covenant 7)
2. Termination of Agreement (Covenants 8 and 9)

All terms and conditions of the aforesaid bid submitted by the Financial Institution that are not inconsistent with this 90-day additional term shall remain in effect for this period.

The Financial Institution has submitted the forms entitled "Technical Representations and Certifications," "Schedule of Financial Institution Processing Charges," and "Calculation of Time Account Balance Required." These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's Information on Payments Cleared Financing Arrangement" as an integral part of this Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Agreement, which consists of _____ pages, including the signature pages, to be executed as of the day and year first above written.

Date Signed

By

(Typed Name of Contracting Officer)

(Signature of Contracting Officer)

WITNESS

(Typed Name of Witness)

(Typed Name of Contractor)

(Signature of Witness)

By

(Name of Contractor's Representative)

Note: In the case of a corporation,
a witness is not required. Type or
print names under all signatures.

(Signature of Contractor's Representative)

(Title)

(Address)

(Date Signed)

(Name of Witness)

(Name of Financial Institution)

(Name of Financial Institution Representative)

(Signature of Witness)

(Signature of Financial Institution Representative)

Note: In the case of a corporation,
a witness is not required. Type
or print names under all signatures.

(Title)

(Address)

(Date Signed)

NOTE

The contractor, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Contractor herein; that _____, who signed this Agreement on behalf of the Contractor, was then _____ of said corporation; and that said Agreement was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal) (Signature)

NOTE

Financial Institution, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Financial Institution herein; that _____, who signed this Agreement on behalf of the Financial Institution, was then _____ of said corporation; and that said Agreement was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal) (Signature)

FINANCIAL INSTITUTION'S INFORMATION ON PAYMENTS CLEARED FINANCING ARRANGEMENT

1. GENERAL INFORMATION

Payments cleared funding is a method used by the Federal Government to provide funds to a contractor who is performing services or providing goods to the Department of Energy (DOE). Under this method, the contractor issues payments for program purposes. When these payments clear the financial institution, the payments are totaled, and the financial institution draws funds from an Automated Standard Application for Payment (ASAP) 1031 system account at the Federal Reserve Bank of Richmond (FRB-Richmond) for credit to the contractor's account. The financial institution is compensated for services performed in the form of either direct payment of fee or a noninterest-bearing time deposit. Information necessary to bid for and operate such an account and to establish the reporting requirements the financial institution must meet are provided below.

2. BIDDING INFORMATION

- a. Upon receipt of the solicitation from DOE, the financial institution representative should review the package to ensure that all material listed in the covering letter has been included. If anything is missing, the financial institution representative should contact the DOE representative named in the letter to obtain the missing material. If all material is present, the financial institution representative should review the bidding procedures, the operating procedures, the reporting requirements, and the sample agreement. Questions should be directed to the designated DOE representative.
- b. Once the procedures and requirements are understood and the financial institution's management decides to submit a proposal, the procedures below should be followed:
 - (1) Check or complete all responses contained in the "Technical Representations and Certifications" form.
 - (2) Complete the "Schedule of Financial Institution Processing Charges" form.
 - (3) Complete the "Calculation of Time Account Balance Required" form if the DOE representative has advised that the financial institution will be compensated by a noninterest-bearing time deposit.
 - (4) Ensure that all required information has been provided before forwarding the completed forms to the designated DOE representative. These forms constitute the financial institution's formal proposal to DOE. Incomplete proposals will not be considered.
 - (5) Forward the completed proposal with a cover letter to the DOE representative at the address provided. Proposals not received by the date established for submission will not be considered.

- c. Bidders will be notified, by letter, of the financial institution selected within 30 calendar days after the close of the bidding period.
- d. The selected financial institution will meet with the designated DOE representative to clarify any operational questions and to sign the contractual agreement and required corporate certificates for both the contractor and the financial institution. The agreement term will be determined by the DOE representative, but normally will be for a period of not less than 2 years and not more than 5 years. Specific termination provisions are contained in the agreement for termination before the date specified in the agreement.

3. OPERATING REQUIREMENTS

- a. The financial institution will total the payments cleared against the special account and subtract any deposits. This sum will be drawn from the ASAP 1031 account at FRB-Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible. The institution must determine the cutoff time for processing payments and deposits to ensure same day credit. The drawdown is effected by sending an online request for funds (type code 1031) to FRB-Richmond via Fedwire by 5:45 p.m. Eastern time. The DOE finance office will provide the financial institution with enrollment forms that will permit withdrawal of funds from the ASAP 1031 account at FRB-Richmond. The institution will complete the forms and return them to DOE for further processing.
- b. If the financial institution providing these services is a branch of a parent institution, the drawdown on ASAP 1031 and subsequent transfer of funds from FRB-Richmond must be accomplished in time for the branch to receive same-day credit for the funds requested.

4. COMPENSATION AND COLLATERALIZATION

When the financial institution is to be compensated in the form of a noninterest-bearing time deposit, that deposit will be made by the contractor drawing the amount of funds from the ASAP 1031 account. The institution will place those funds in a separate noninterest-bearing time account as set forth in the agreement. This account must be identified as being Federal funds. If the amount of the noninterest-bearing time deposit exceeds the level of Department of the Treasury-approved deposit insurance coverage, the institution must collateralize the amount that exceeds the insurance coverage. The collateral will be posted with the FRB in accordance with Department of the Treasury Circular 176. The institution will be paid directly by the contractor if the direct payment method is used.

5. PENALTIES ON EXCESS FUNDS

If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. Penalties will be remitted to the cognizant DOE finance office.

6. REPORTING REQUIREMENTS

The financial institution will provide the contractor with a bank statement and an account analysis monthly. The account analysis will include the data necessary for the DOE finance office to determine that the costs of the services are commensurate with the level of compensation being provided to the financial institution, and that the average daily demand account balance is being maintained net positive and as close to zero as administratively possible.

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ATTACHMENT 6-6

CHECKLIST FOR PERFORMING QUALITY CONTROL REVIEWS

1. Verify that the payment is subject to the Prompt Payment Act. (Refer to OMB Circular A-125 (Revised), Prompt Payment, Attachment, paragraph 2.)
2. Verify that the invoice was date-stamped as received; otherwise, use date of invoice in determining payment due date.
3. Verify that the invoice is the proper invoice (See OMB Circular A-125, Attachment, paragraphs 1, 5b, and 5d). If it is not, verify that the invoice was date-stamped when the correction was made and that the vendor was notified within the required timeframe.
4. Verify that the reviewer determined that the payment due date matches the due date entered into the system. (See OMB Circular A-125, Attachment, paragraphs 4e through 4j.)
5. Review documentation to verify that property or services were delivered and accepted.
6. Review Treasury accomplished pay schedule to verify that payment was made by the due date, and when not made by the due date, that interest penalties were paid in accordance with the Act. (See OMB Circular A-125, Attachment, paragraph 4k.)
7. Verify that the proper interest rate was used in calculating interest penalties. (See OMB Circular A-125, Attachment, paragraph 7a.)
8. Verify that any discount taken was based on payment within the discount period, that is, the period from the date of the invoice as dated by the contractor to the end of the discount period. (See OMB Circular A-125, Attachment, paragraphs 1j and 4i.)
9. Ensure that interest penalties and economically advantageous purchase discounts lost are charged to the same object class and budget and reporting classification used for the original contract or purchase order.
10. Verify that all early payments approved by the CFO or Head of Field Element or designee are separately accounted for and that approval thereof is in writing.
11. Verify the legitimacy of all discounts not taken because they were not economically advantageous.